



QUALITY LONG TERM CARE

The Medicaid Challenge

ALAN G. ROSENBLOOM
PRESIDENT
ALLIANCE FOR QUALITY NURSING HOME CARE

NURSING HOMES: CREATING POSITIVE QUALITY MOMENTUM

COMMITMENT TO QUALITY

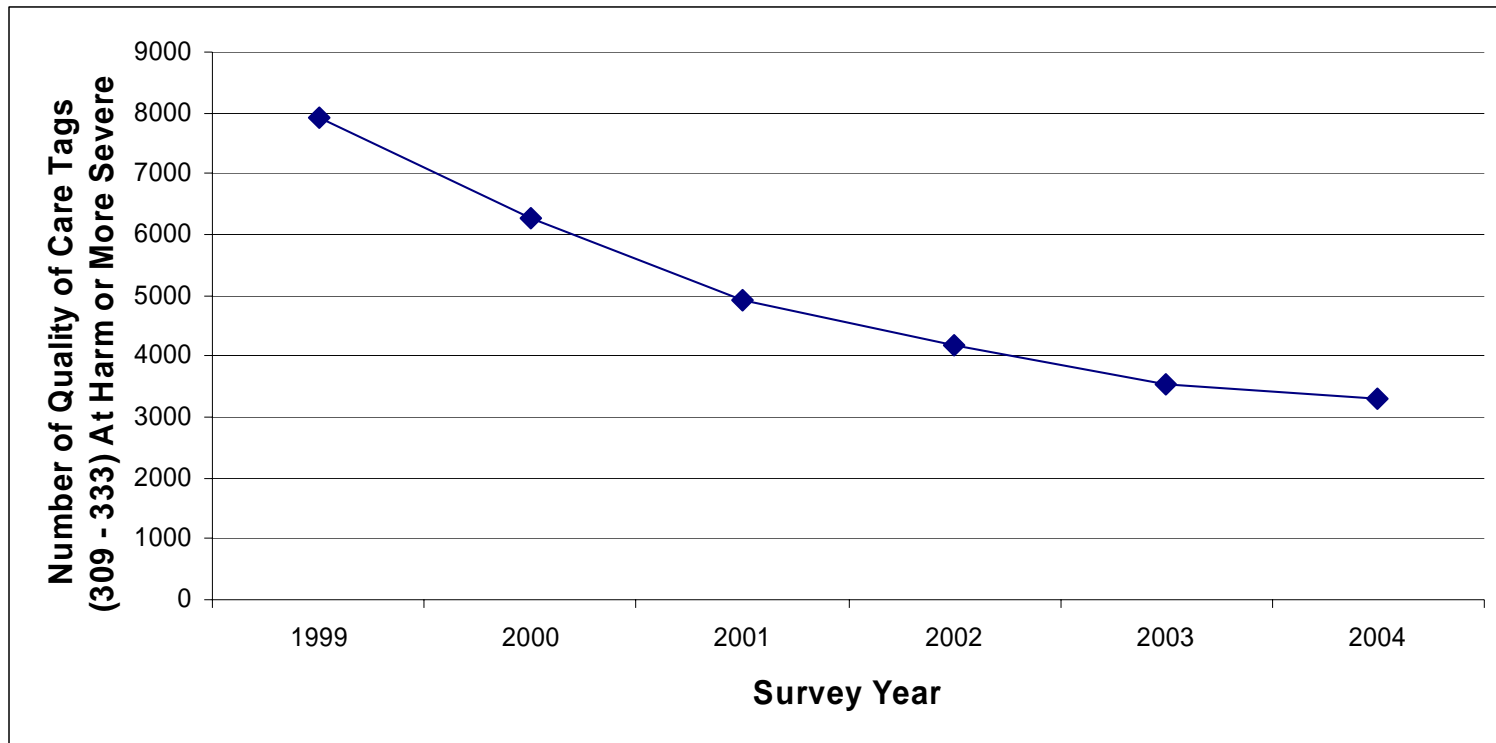
- 2001 – CMS Quality Initiative – Nursing Home Compare
- 2002 – Quality First
- 2004 – Quality Commission
- 2006 – Documented Quality Improvement

NURSING HOME QUALITY INITIATIVE

- Following Significant Economic Turmoil in 1999-2001, Industry Launched *Quality First* to...
 - ✓ Achieve Excellence in Nursing Home Care
 - ✓ Improve Public Trust in Care and Delivery
- Objectives:
 - ✓ Improve Regulatory Compliance
 - ✓ Improve Clinical Outcomes
 - ✓ Produce Positive Satisfaction Ratings Demonstrated Through National, Validated Surveys
- Guiding Principles
 - ✓ Uniform Measurement
 - ✓ Transparency
 - ✓ Public Accountability

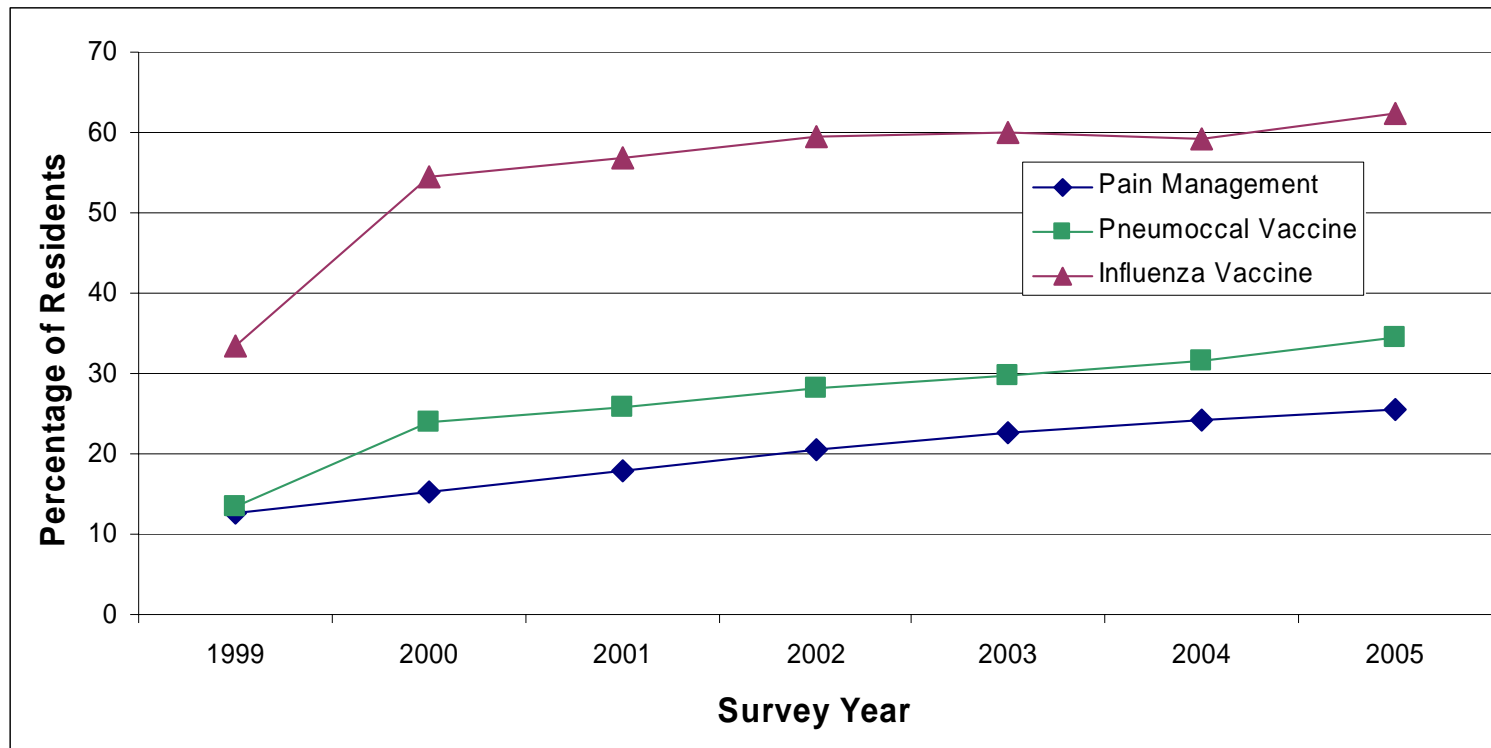
RESULTS: QUALITY IMPROVING

Number of Severe Quality of Care Citations Drop from 1999 to 2004



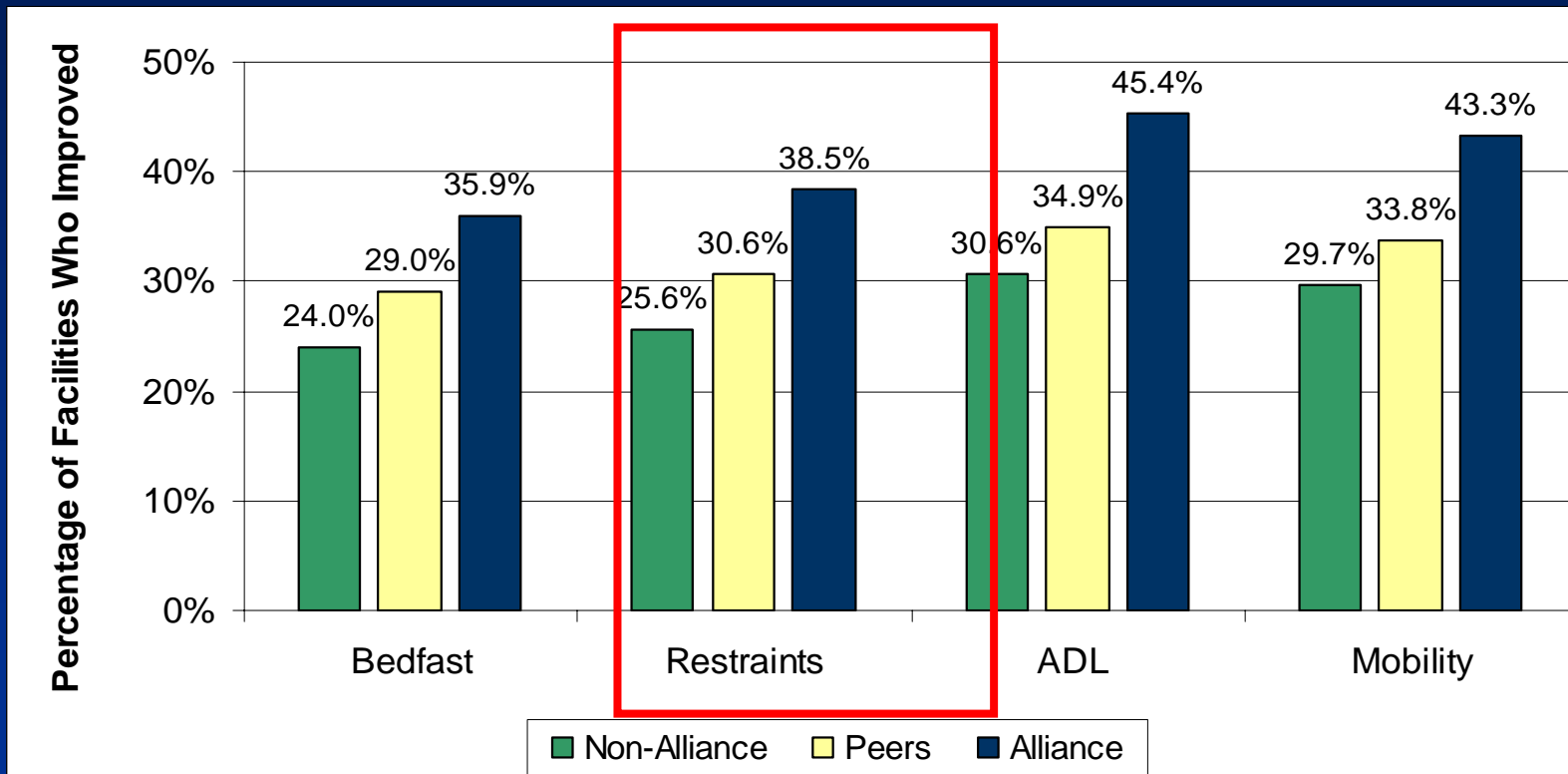
RESULTS: QUALITY IMPROVING

Clinical Processes Show Marked and Sustained Improvement



ALLIANCE COMPANY EXPERIENCE

Companies Show More Significant Improvement

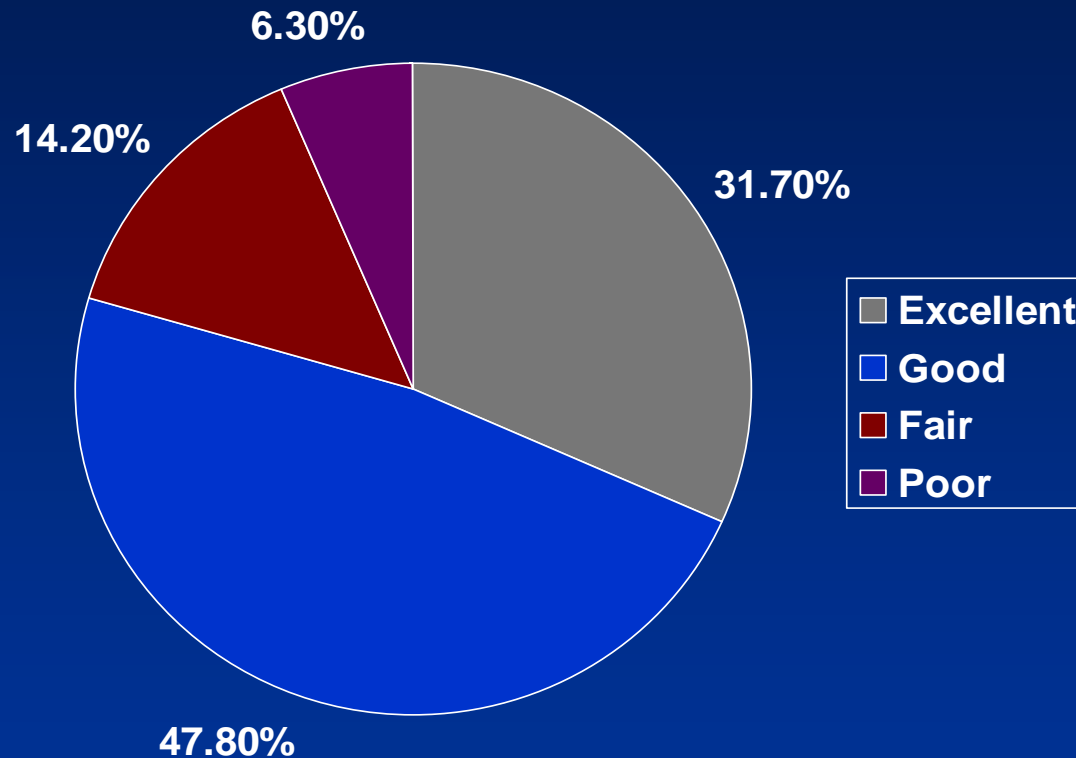


Data Reflects Q1 – Q4 2004

Source: LTCQ, 2006

FAMILY SATISFACTION RESULTS

80% Would Recommend the Facility



Source: My InnerView, Alliance Satisfaction Report, 2005

ENSURING QUALITY:
ECONOMIC STABILITY IS KEY

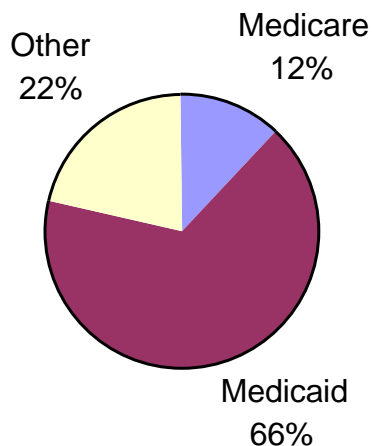
THE NURSING HOME MARKETPLACE

- MEDICARE: 12% of Patients *BUT* 26% of revenues
- MEDICAID: 66% of Patients *BUT ONLY* 50% of revenues
- OTHER SOURCES: 22% of Patients, 24% of revenues

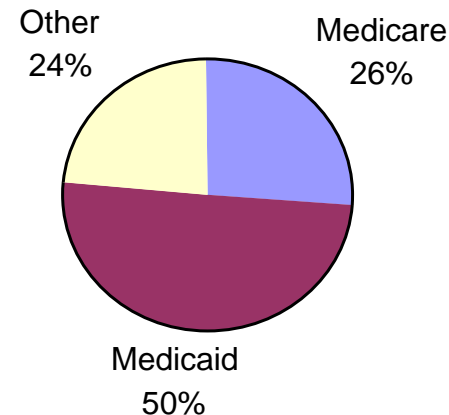
THE MEDICARE-MEDICAID DYNAMIC

Medicaid Pays For 66% Of Patients, Provides 50% Of Revenues

**Percent of Patient Days by Payer for
Responding Nursing Facilities**



**Percent of Revenue by Payer for
Responding Nursing Facilities**

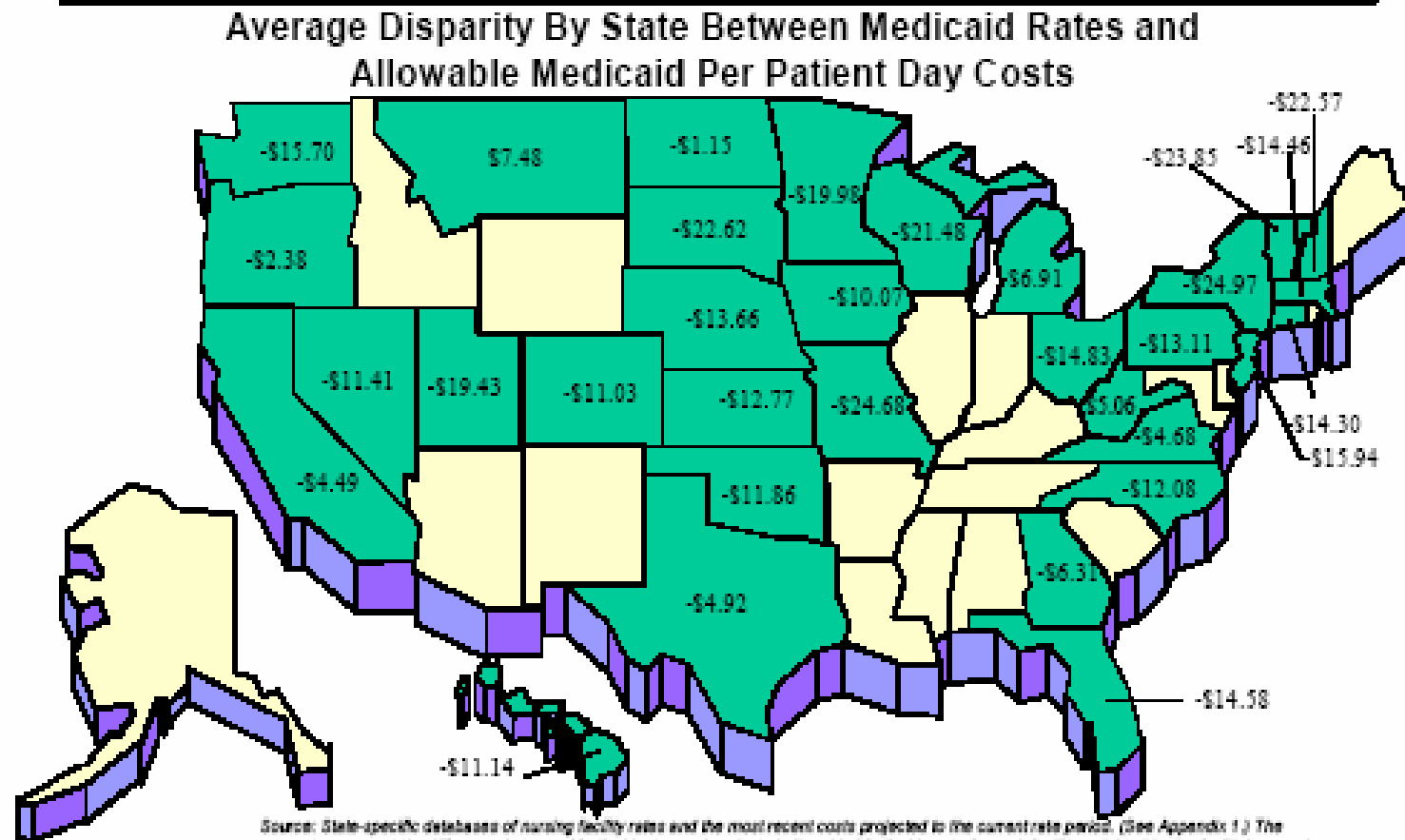


Source: The Lewin Group

THE NURSING HOME MARKETPLACE

- MEDICAID pays \$13.10/Day *LESS* than cost of care; aggregate of \$4.5 billion/year; gap is growing each year
- MEDICAID operating margin is *NEGATIVE* 7.06%
- MEDICARE operating margin is 9.4%
- OTHER PAYERS operating margin 1.05%
- *CONCLUSION:* MEDICARE subsidizes MEDICAID

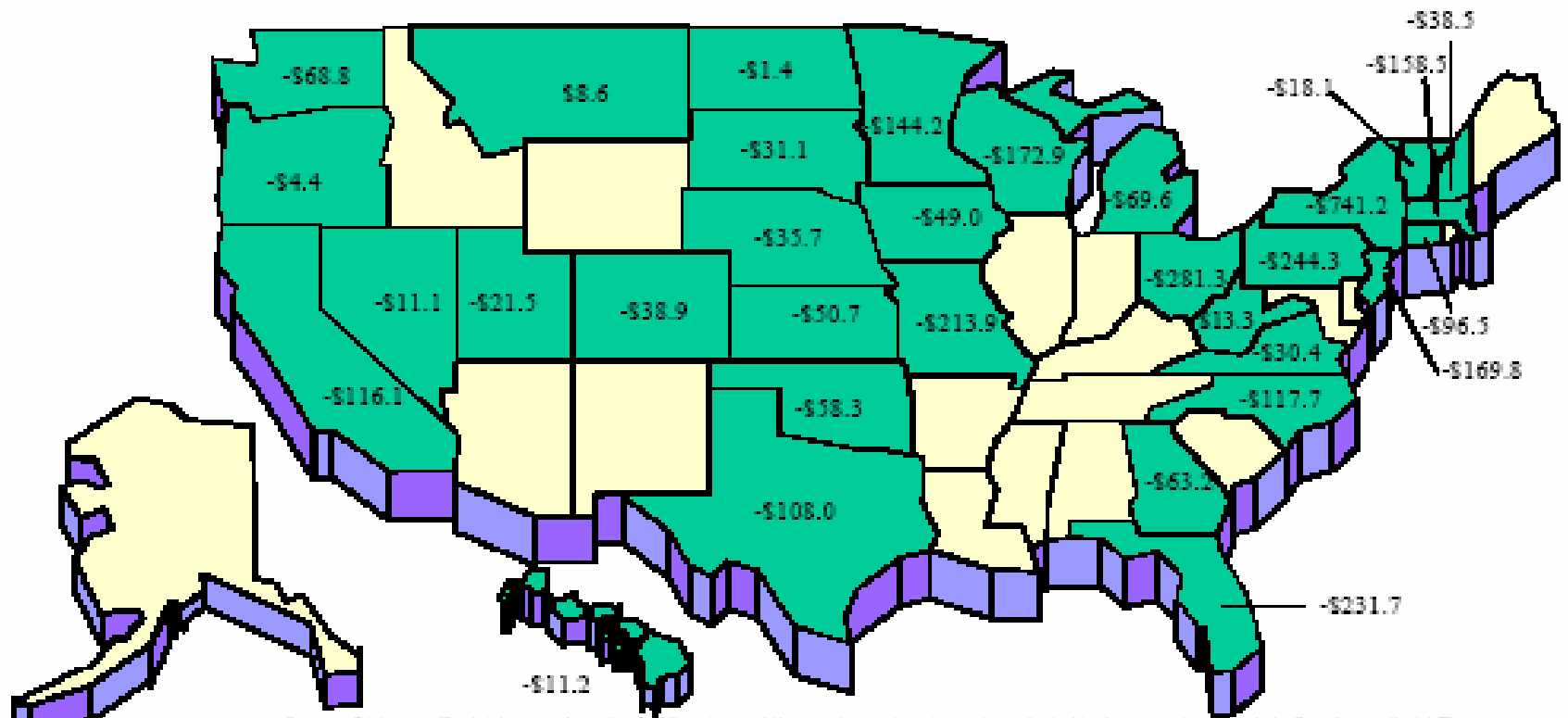
2006 DAILY LOSS: \$13.10 PER PATIENT



Source: State-specific databases of nursing facility rates and the most recent costs projected to the current rate period. (See Appendix 1.) The amounts represent the difference between Medicaid rates and projected allowable Medicaid costs for each facility weighted by the facility's annual Medicaid days. It is not the average disparity between Medicaid rates and projected costs for only those facilities experiencing shortfalls in Medicaid reimbursement. If this were the case, the shortfalls would be much higher.

PROJECTED '06 LOSSES: \$4.5 BILLION

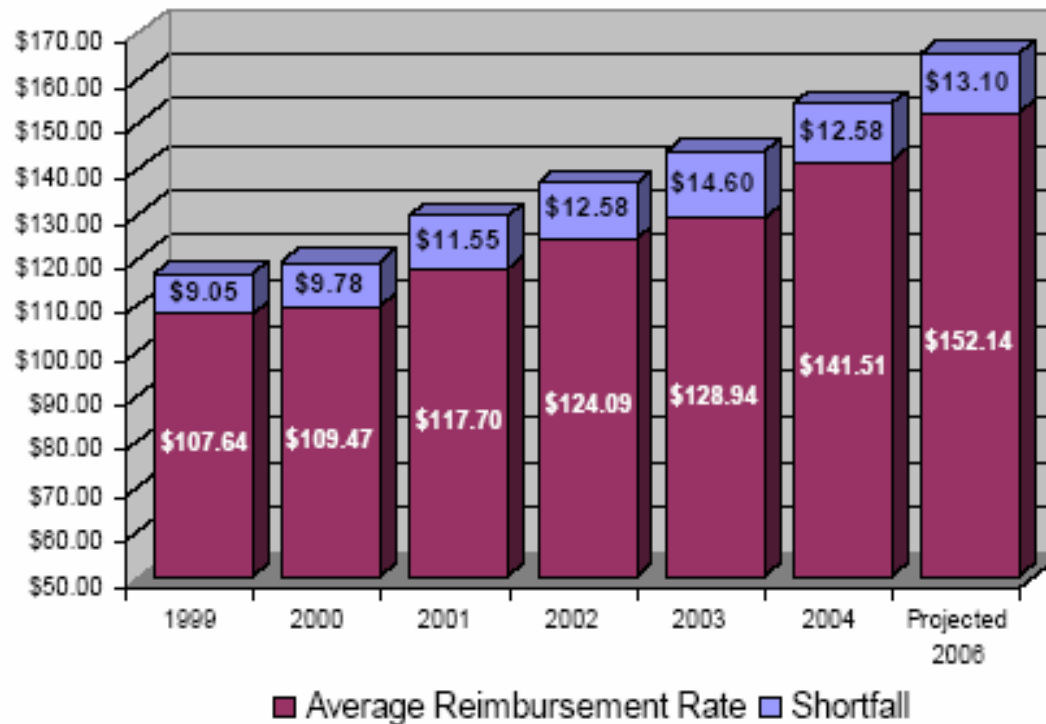
\$4.5 Billion Medicaid Funding Shortfall Nationwide



Source: State-specific databases of nursing facility rates and the most recent cost reports projected to the current rate period. (See Appendix 1.) The Medicaid days used in deriving state-specific shortfalls were derived from CMS-OSCAR Form 672: F75-78, current surveys as of December 2005. The weighted average shortfall for the 32 states reporting exceeded \$1.4 billion dollars, based upon 288 million Medicaid days. Extrapolating this shortfall to 343 million Medicaid days nationwide (per CMS-OSCAR Data) results in a \$4.5 billion national shortfall.

MEDICAID SHORTFALLS: '99-'06

FIGURE I
Shortfall per Medicaid Patient Day
All States in Each Year¹



Source: BDO Seidman LLP., 2006: *A Report on Shortfalls in Medicaid Funding for Nursing Home Care*

MEDICARE PAYMENT STABILITY: 2001-2005

- 1997: Balanced Budget Act cut Medicare payments \$16+ billion; RESULT: 20% of America's nursing homes in bankruptcy
- 1999-2006: series of temporary “add-ons” and administrative reform of payment system
- Effect: economic stability

TRENDS IN MEDICARE SNF RATES

SNF Medicare Instability: 1998 – 2006 (Projected)



MEDICARE SUBSIDIZES MEDICAID

SNF Margins Lower Than Other Medicare Providers

	Medicare Part A		Medicaid		Others		Total
Scenarios	Margin	Percent of Revenue	Margin	Percent of Revenue	Margin	Percent of Revenue	Margin
Scenario 1: FFY 2005	16.54%	27.90%	-5.67%	49.90%	13.50%	23%	3.80%
Scenario 2: FFY 2006 (RUGs 44/53 blend)	12.99%	27.30%	-7.06%	50.10%	13.50%	23%	2.05%
Scenario 3: FY 2007 (no MB update)	10.54%	26.70%	-7.06%	50.50%	13.50%	23%	1.32%

Source: The Lewin Group analysis of Lewin survey of nursing facilities owned by Multifacility organizations

STABLE FUNDING: CRUCIAL TO QUALITY

- 2001-2005: stability in market driven by Medicare
- 2001-2005: substantial quality improvement on various metrics
- Relationship between resources and quality improvement

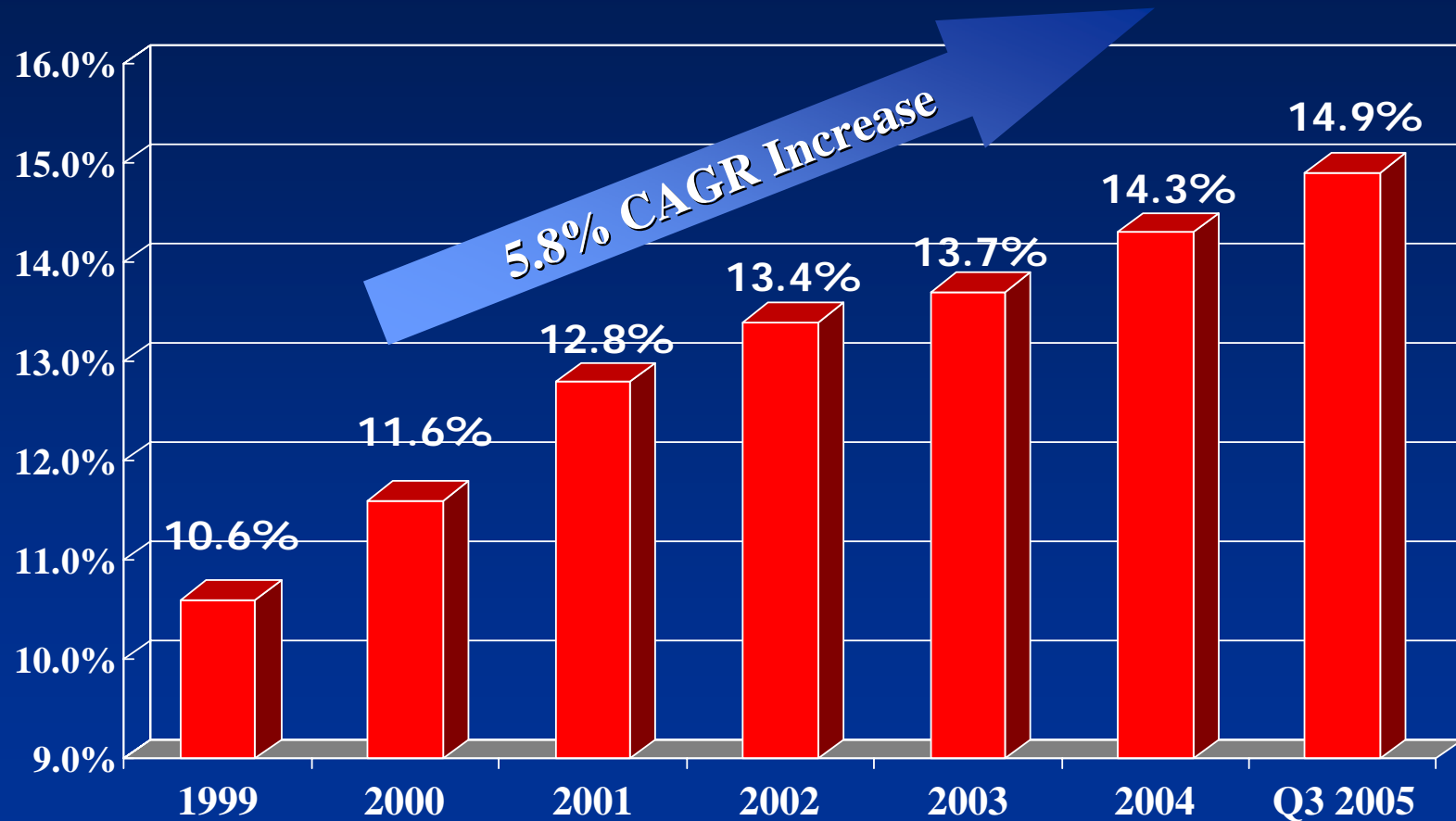
THE CHANGING NURSING HOME PATIENT POPULATION

KEY INDICATORS

- Higher Acuity
- Shorter Lengths of Stay
- More Admissions
- More Discharges to Home/Community

MEDICARE CENSUS INCREASING

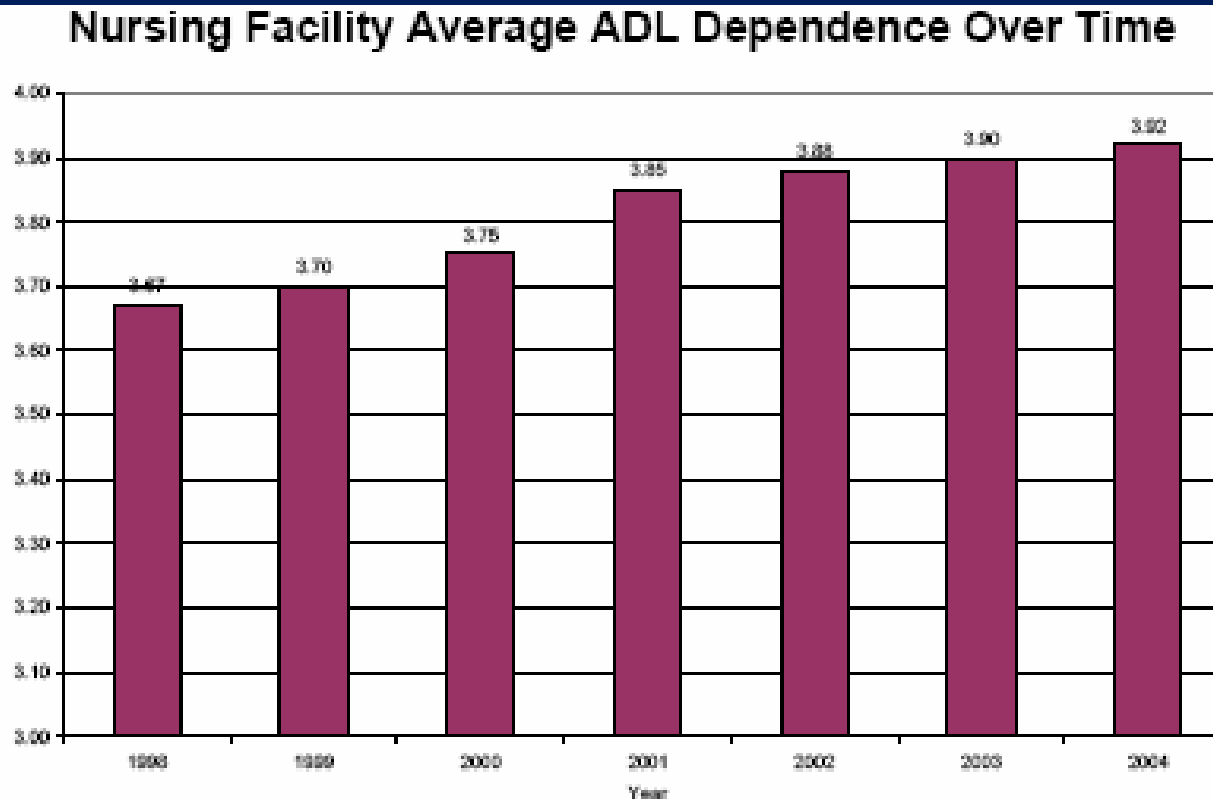
Medicare As Percent Of Total Census In The Public Companies



Source: Company Reports

PATIENT ACUITY HAS INCREASED

Growing Percentage of Patients Come From Hospitals



Source: CMS. Online Survey Certification and Reporting Nursing Facility Data (Various Years).

CONSIDERATIONS FOR THE FUTURE

KEYS TO SUSTAINING QUALITY IMPROVEMENT

- Stable Government Funding
 - MEDICAID cannot rely on Medicare subsidization
- Health Information Technology
- Revamped Physical Plants
- Adequate Labor Supply

OBSTACLES TO SUSTAINING QUALITY IMPROVEMENT

- Volatile Government Funding
- Access to Capital
- Work Force Shortages and Instability

IMPLICATIONS FOR MEDICAID

- Nursing Home Patients Will Become More Acute, Lengths of Stay Will Continue to Decrease
- Nursing Homes Will Require Substantial Additional Capital for Physical Plant Replacement and Health Information Technology
- Nursing Homes Cannot Sustain Additional Medicaid Cutbacks While Maintaining Quality Improvement

SOLUTIONS MUST . . .

- Consider the Entire Nursing Home Marketplace, not only the Medicaid program
- Evaluate Medicare and Medicaid Policy Trends and Potential Changes Together
- Realistically Evaluate Personal Responsibility
- Create Incentives that Attract Private Capital
- Consider Quality Across the LTC Continuum